

EXECUTIVE SEC TARIAT
ROUTING SLIP

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TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
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8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
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14	D/PAO				
15	D/PERS				
16	VC/NIC				
17	C/CI/DO		X		
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SUSPENSE		Date			

Remarks

STAT

Executive Secretary
13 JAN 86

Date

3637 (10-81)

DIRECTOR OF CENTRAL INTELLIGENCE

Executive Registry	
86-	105

13 January 1986

NOTE FOR: Chief, CI Staff, DO
FROM: DCI
SUBJECT: Article by Lally Weymouth



STAT

Attached is the article I mentioned
in our conversation on Friday.

A handwritten signature in black ink, appearing to be 'WJ Casey'.

William J. Casey

Attachment:
NY Daily News Article,
dtd 23 Dec 85, "Low-level
Fallout from Israeli
Spy Incident"

Low-level fallout from Israeli spy incident

By LALLY WEYMOUTH

NEW YORK—From the moment U.S. naval intelligence analyst Jonathan Pollard was arrested for selling U.S. secrets—not to the Soviet Union but to Israel—Secretary of State George P. Shultz did what he could to minimize the damage to U.S.-Israeli relations.

A few days after Pollard's Nov. 21 arrest for espionage, Shultz and Prime Minister Shimon Peres of Israel reportedly had a 90-minute telephone conversation. The following day, the Israeli government issued its apology.

To some partisans this looked like the end of the affair. It wasn't. Shultz apparently succeeded in playing down the Pollard case at the top levels, but there has been damage at lower levels. The question is how significant is this damage.

"What Shultz told Peres is irrelevant compared to what mid-level bureaucrats are doing, including federal raids on factories supplying military equipment to Israel," said one U.S. government defense analyst. The message behind those recent raids, he said, is "from now on we're going to treat them as enemies."

Another harsh response comes from a former U.S. official: "Plenty of people say that no Jews or Arabs should be involved in Middle East policy. This will reinforce the argument and reinforce those who have suspicions about Zionists working in the government. It will strengthen the argument that we've treated them with kid gloves and that's how they treat us."

Pollard, 31, was arrested by the FBI outside the Israeli Embassy in Washington, reportedly on the basis of information from his former Navy colleagues. A U.S.-born Jew and an ardent Zionist, Pollard went to the embassy with his wife, his cat and stolen documents, apparently hoping to defect. There was silence at first from Israel. Then the Israeli ambassador to the United States, Meir Rosenne, claimed that no Israeli diplomat had left this country. But the following day sources confirmed that two Israeli diplomats went home shortly after the arrest. They were said to be Pollard's contacts.

Israeli newspaper correspondents in Washington provided the first information

on who might have been Pollard's boss. They named Rafael (Rafi) Eitan, a legendary Israeli intelligence officer, as the man allegedly running the covert operation. Eitan played a leading part in the dramatic arrest of Adolph Eichmann 25 years ago. After service in the Mossad, one of Israel's intelligence agencies, Eitan became Prime Minister Menachem Begin's adviser on terrorism. Last spring Peres removed Eitan from this post, infuriating Eitan's friend, Industry and Trade Minister Ariel Sharon.

Although Eitan lost one job, he reportedly continued to head a secret scientific data gathering unit called Lekem. This unit, according to an Israeli journalist, Haaretz editor Ze'ev Schiff, was founded more than 20 years ago by Peres, then in the Ministry of Defense. It is unclear when Eitan became head of the unit and to whom, if to anyone, he reported.

Israel's official version of events downplayed Lekem, according to Israeli radio sources. Peres reportedly told New York Times correspondent Thomas Friedman that the unit was a free-wheeling operation, reporting to no one in the political arena. But a reliable Israeli told me that Eitan reported at least some of his activities to a committee in the Israeli Parliament.

After a week's silence, Israel issued its apology, promising to disband the unit involved. Shultz sprang to accept the apology, as did Sen. Daniel Patrick Moynihan (D-N.Y.), who called it "handsome." Richard C. Helms, former Central Intelligence Agency director, said that in the intelligence business, everyone spies on everyone, even friends on friends, that the only rule is "don't get caught."

But at least one senior Federal Bureau of Investigation official wasn't satisfied. Two weeks after Pollard's arrest, he complained that the Israelis still hadn't let FBI and Justice Department officials interrogate those involved.

Peres, perhaps aware of such feelings, dispatched Moshe Arens, a minister without portfolio, to talk with Shultz. They struck a deal: the U.S. could interview Israeli diplomats and Eitan as long as the questions concerned only the Pollard case. Then Shultz dispatched a team led by State Department Legal Adviser Abraham D.

Sofaer to interrogate officials in Israel. The fact that Israel agreed to allow its diplomats to be questioned by U.S. officials is most unusual.

But many unanswered questions remain: Why did the Israelis mount a covert operation against the United States? Did Israel believe it was being denied data critical to its security? If so, was this data worth risking the possible consequences? Who saw the data Pollard provided? If Eitan was really operating as a loner, who authorized payments to Pollard?

At the time of Pollard's arrest, U.S.-Israeli cooperation seemed at an all-time high. The two countries had collaborated closely and successfully during the Achille Lauro affair, Israel providing key intelligence to the United States.

In hiring Pollard, Israel broke an understanding that the two countries would not spy on each other except in "orthodox" ways, according to a senior Mossad official—meaning military attaches could take photographs of installations but could not hire Americans or mount covert operations.

"They broke an unwritten rule not to recruit Americans," said a former U. S. government official who is Jewish. "What they've also done is violate it with an American Jew. It's fodder for anti-Semites who want to claim the Jews can't be trusted."

The Mossad had been careful not to use foreign Jews in friendly countries for fear of compromising the Jews in those nations. Israelis remembered the disastrous 1954 Lavon affair, when Egyptian Jews were arrested planting bombs intended to blow up American facilities in Egypt, hoping to cool U.S.-Egyptian relations.

The arrest of Pollard has raised the ugly question of double loyalty, said one government official, who also happens to be Jewish. "It is lethal," he noted, "Jews must be allowed to define their own loyalties, and Israel must not create linkages of this kind."

Yet Helms disagrees: "I don't think the long term effects will be much of anything. The most unpleasant aspect is using American money to spy on the United States."

BUT DISPUTES over damage continue. If Shultz has done his part, the Israeli government has perhaps not. Some observers suggest that Israel create a commission of inquiry or, alternatively, discharge those responsible for the operation. U.S. Defense analyst Edward Luttwak put it bluntly: "The Israeli government has so far failed to take strong enough action to make it credible that Pollard was an aberration."